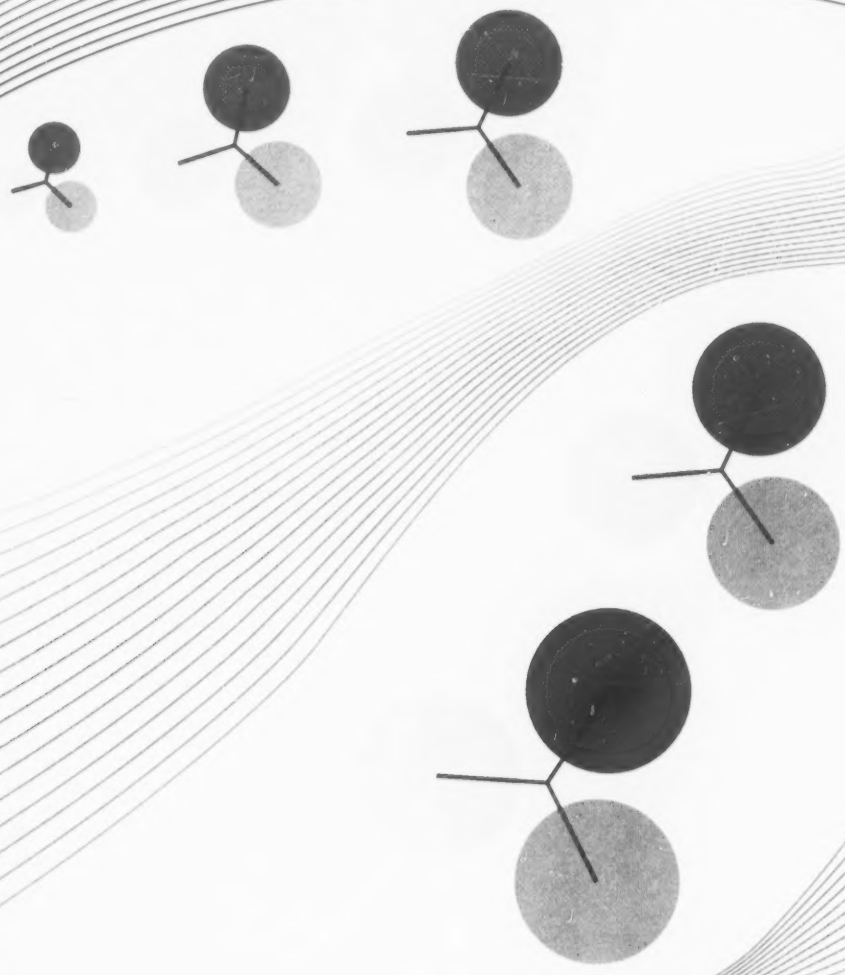
U.S. Newspapers and Newsprint Consumption in the New Decade



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Executive Summary

U.S. newsprint consumption, 30-pound basis weight, was 12.343 million tons in 1989. Although up slightly from the prior year, the 1989 consumption was less than that of 1987.

U.S. newsprint consumption in 1990 is likely to be less than that of 1989. The lack of consumption growth for three consecutive years is of concern, especially in light of the nation's economic growth during 1988 and 1989.

The recent failure of U.S. newsprint consumption to expand is primarily the result of a substantial slowing of consumer expenditures and severe difficulties in a number of industries that advertise in newspapers, e.g., the retailing, finance and housing industries.

During the 10 years ending in 1989, U.S. newsprint consumption, adjusted for basis weight and strike activity, rose 20.9 percent. The consumption of daily newspapers reporting to ANPA rose 15.7 percent.

The fastest growth of daily newspapers occurred in the South where consumption rose almost 25 percent during the 1979-1989 period. Western newspapers expanded almost as rapidly.

When newspaper consumption growth is viewed by size of city, the fastest growth occurred in cities of 500,000 to 1 million population—almost 32 percent. Relatively rapid growth (28 percent) also was realized by newspapers in towns and cities of less than 100,000 population.

The daily circulation of newspapers reporting to ANPA grew only 0.6 percent between 1979 and 1989. However, Sunday circulation expanded 15.6 percent during the 10 years.

The fastest growth of daily circulation was in cities of 500,000 to 1 million population—11 percent. The most rapid growth of Sunday circulation was among newspapers in cities of less than 100,000 people—almost 38 percent during the last 10 years.

U.S. mills increased their supply of newsprint to U.S. daily newspapers by 26.8 percent during the 1979-1989 period. The tonnage originating in Canada rose 7.2 percent. As a result, U.S. producers' share of the newspaper market rose to 42.7 percent in 1989; Canadian producers' share fell to 55.1 percent.

ANPA's newsprint trend projection for 1990, made in 1982, should be proven accurate when final figures are in. It appears that 1990 U.S. newsprint consumption, 30-pound basis weight, should have been very close to the projected 12.2 million metric tons.

ANPA's trend projection for 1995 should be adjusted downward by 100,000 tons to 14.4 million tons because of the newsprint industry's removal of some tonnage from the newsprint classification that was incorrectly classified as newsprint instead of uncoated mechanical printing paper.

If normal economic growth (averaging upwards of 3 percent) is achieved during the next five years, U.S. newsprint consumption should approach the projected 14.4 million tons, 30-pound basis weight. However, a severe recession within the next few years would prevent the projection from being attained. For example, if only 2 percent average annual economic growth is realized between 1989 and 1995, U.S. newsprint consumption is likely to be 13.5 million metric tons, 30-pound basis weight, as of 1995.

A recession probably is under way, and the economic outlook for 1991 is not favorable. The financial problems of the nation may precipitate a relatively severe recession. As a result, the Real Gross National Product is predicted to decline to around $4 trillion in 1991.

With a recession, U.S. newsprint consumption also would decline, but probably no more so than the economy. Assuming a 2.5-percent economic decline, U.S. newsprint consumption (not adjusted to a 30 lb. uniform basis weight) is likely to fall to around 11.8 million tons in 1991.

PART I

The Recent Status of U.S. Newspapers and Newsprint Consumption

U.S. newsprint consumption, adjusted to a 30-pound basis weight, totaled 12.343 million metric tons in 1989, slightly greater (5,000 tons) than that of the prior year.

Actual or reported consumption in 1989 was 12.241 million tons, down 4,000 tons from the prior year. On both an actual and 30-pound adjusted basis, U.S. newsprint consumption in 1989 was slightly less than that of 1987. With no increase of consumption during the first 10 months of 1990 and a weakening national economy, 1990 is the third consecutive year with little change of U.S. newsprint consumption.

Since 1960, there have been four periods of two years' or more duration in which U.S. consumption has not advanced significantly. The first was 1969-1971 when consumption increased only 10,000 tons (30-pound basis weight). During the severe recession of 1973-1975, U.S. consumption fell more than 900,000 tons, or 10 percent. Between 1979 and 1982, consumption declined 48,000 tons.

The current decline is, in one respect, the most alarming. Although U.S. newsprint usage in 1990 will be less than that of three years ago, consumption has not expanded during a period of national economic growth.

There are several possible explanations for the lack of newspaper and newsprint growth in recent years. Competition among the media, including the newly emerging electronic media, has been intense. In addition, numerous advertisers have shifted toward greater use of special promotions rather than increased advertising expenditures.

Going beyond competition, some regions of the nation have been in recession during recent years. For example, most of the Southwest has had severe economic problems for several years, as have some western states. More recently, much of the Northeast has been in recession.

Another recent development adverse to the growth of newspapers and newsprint consumption is the composition of U.S. economic growth. During the last two and one-half years, personal consumption expenditures have expanded slowly. Between the fourth quarter of 1987 (the last year of substantial newsprint consumption growth) and mid-1990, real personal consumption expenditures advanced only 5.7 percent. During the same time span, the combination of real U.S. exports, government spending and non-residential investment rose 12.1 percent. Compared to personal consumption, foreign exports, government spending and business investment contribute little to U.S. newspaper growth although they contribute to national growth.

Still another factor explaining the lack of newspaper growth in recent years is the difficulties experienced by several U.S. industries. There have been major financial problems in brokerage, savings and loan,

construction and retail industries. These difficulties have led to either the demise or consolidation of numerous members of the industry. The result is a loss of total advertising linage from those industries.

The above developments, plus a slowing in the expansion of adult population, undoubtedly have diminished the growth of U.S. newsprint consumption during recent years.

As for 1989, neither advertising nor circulation contributed to newspaper growth. Newspaper advertising expenditures totaled $32.4 billion during the year, up only 3.8 percent from those of 1988[1]. At the same time, the nominal Gross National Product grew 6.7 percent (in current dollars) and total advertising expenditures advanced 5 percent. In addition, newspapers' share of total advertising declined from 26.4 percent in 1988 to 26.1 percent in 1989, as shown below:

Advertising Medium	Advertising Expenditures in Millions of Dollars	Percent of Total Advertising Expenditures	Percent Change of Advertising Expenditures 1988-1989
Newspapers	32,368	26.1	+ 3.8
Television	26,891	21.7	+ 4.7
Direct Mail	21,945	17.7	+ 3.9
Yellow Pages	8,330	6.7	+ 7.1
Radio	8,323	6.7	+ 6.7
Magazines	6,716	5.4	+10.6
All Other Media	19,357	15.5	+ 5.2
All Media	123,930	100.0	+ 5.0

Among the major media, newspapers experienced the slowest growth of advertising expenditures during 1989. Interestingly, the two highest rates of growth were enjoyed by other print media—Yellow Pages (7.1 percent) and magazines (10.6 percent).

The 1989 rise of newspaper advertising expenditures was less than the rate of inflation. Therefore, newspaper advertising linage probably declined slightly.

Daily circulation also failed to advance in 1989. According to *Editor & Publisher*, it declined 0.1 percent to 62.65 million. However, Sunday circulation reached another record high, increasing 0.9 percent to a little over 62 million. Weekly newspaper circulation rose more than two million to a high of almost 55.2 million.

With little or no growth of both circulation and advertising linage during 1989, newsprint consumption also changed little from the prior year.

[1]Source: Robert J. Coen, McCann-Erickson Inc.

Although full data are not yet available for 1990, the situation is highly similar to that of 1989. Real U.S. economic growth has been sluggish, advancing only 1 percent in the first quarter, 0.4 percent in the second, and 1.7 percent (second preliminary estimate) in the third.

Total U.S. newsprint consumption for the first 10 months of 1990 was down slightly as of the end of October, and the nation appears to be entering a recession. Therefore, newsprint consumption in 1990 is likely to total 12.1 to 12.2 million tons (not adjusted to a 30 lb. uniform basis weight).

The ANPA forecast for 1990 predicted that newsprint consumption would closely mirror the economy in terms of percentage change. As concluded in the 1989 study, "Unfortunately, it is doubtful that consumer confidence will hold throughout 1990. Assuming a slow economy with a recession commencing before year-end, U.S. newsprint consumption is unlikely to rise above that of 1989."[2] That forecast appears to be correct.

Consumer confidence did falter in the third quarter, falling to a seven-year low in September according to the survey of the National Industrial Conference Board. It appears that the nation's longest peacetime period of economic growth has ended and that a recession has begun.

[2]Jon G. Udell, *An Economic Appraisal of U.S. Newspapers and Newsprint Consumption*, American Newspaper Publishers Association, Washington, D.C., December 1989, p. 20.

PART II

A Decade of Newspaper Growth

U.S. daily newspapers reporting to ANPA consumed 9,094,983 tons of newsprint during 1989. The total represents 0.5 percent more than a year earlier and 15.5 percent more than in 1979.

Table I presents 1989 and 1979 newsprint usage by daily newspapers in each state. The data are reported consumption and are not adjusted for losses due to newspaper strike activity or differences in basis weight.

Table I

State-by-State Newsprint Consumption by U.S. Daily Newspapers

	1989	1979	10-Yr. % Change		1989	1979	10-Yr. % Change
Alabama	76,468	68,846	11.1	Montana	12,907	14,833	-13.0
Alaska	17,649	9,693	82.1	Nebraska	47,455	47,431	0.1
Arizona	138,981	104,104	33.5	Nevada	48,318	32,540	48.5
Arkansas	64,036	40,807	56.9	New Hampshire	22,185	13,674	62.2
California	1,357,174	1,044,715	29.9	New Jersey	367,280	249,726	47.1
Colorado	176,673	156,818	12.7	New Mexico	27,984	24,149	15.9
Connecticut	111,473	109,709	1.6	New York	880,766	821,836	7.2
Delaware	19,129	15,024	27.3	North Carolina	167,303	117,220	42.7
District of Columbia	266,360	199,454	33.5	North Dakota	13,212	13,634	-3.1
Florida	631,263	443,600	42.3	Ohio	342,307	384,065	-10.6
Georgia	213,731	136,706	56.3	Oklahoma	71,765	85,478	-16.0
Hawaii	29,867	30,989	-3.5	Oregon	98,111	93,065	5.4
Idaho	15,480	17,066	-9.3	Pennsylvania	422,998	406,238	4.1
Illinois	448,539	443,440	1.1	Rhode Island	42,784	31,912	34.1
Indiana	151,346	144,749	4.6	South Carolina	78,307	53,409	46.6
Iowa	73,226	67,512	8.5	South Dakota	11,222	10,713	4.8
Kansas	41,550	44,227	-6.1	Tennessee	120,398	114,310	5.3
Kentucky	69,779	78,227	-10.8	Texas	666,048	581,594	14.5
Louisiana	105,909	120,045	-11.8	Utah	36,624	36,872	-0.7
Maine	26,623	20,823	27.9	Vermont	9,291	7,139	30.1
Maryland	129,580	95,652	35.5	Virginia	146,881	111,886	31.3
Massachusetts	307,969	225,527	36.6	Washington	144,674	151,089	-4.2
Michigan	329,981	325,087	1.5	West Virginia	31,578	36,466	-13.4
Minnesota	134,952	126,681	6.5	Wisconsin	129,990	150,319	-13.5
Mississippi	37,158	33,193	11.9	Wyoming	5,533	6,177	-10.4
Missouri	174,166	179,188	-2.8	Total	9,094,983	7,877,657	15.5

Source: ANPA receives newsprint consumption data from most daily newspapers. Projections are made for some smaller newspapers that do not respond, which represent about 2 percent of the total consumption. The data do not include preprints printed by outside suppliers.

As of 1989, California dailies were the largest consumers of newsprint — 1.36 million tons. New York newspapers were second with an 881,000-ton consumption.

During the last 10 years, the fastest growth of newspapers (82 percent) occurred in Alaska. Newspapers in New Hampshire increased their newsprint usage by over 62 percent during the 1979-1989 period. Other states with very rapid rates of newspaper growth were Arkansas (57 percent), Georgia (56 percent), Nevada (49 percent), New Jersey (47 percent) and South Carolina (47 percent).

In 15 states, newsprint usage by daily newspapers declined during the 10-year period. The largest decline was in Oklahoma (16 percent).

Real Newspaper Growth 1979-1989

Because strikes against newspapers temporarily affect their newsprint consumption, it is appropriate to adjust consumption data for the impact of strikes against newspapers. In 1979, this loss was 2,301 tons. In 1989 no tonnage was lost because of strike activity. During recent decades, the average basis weight of newsprint has changed. To provide an accurate picture of newspaper growth, it is necessary to adjust consumption data to a uniform basis weight, such as 30 pounds.

As shown in Table II, newsprint consumption by daily newspapers, when adjusted for strikes and basis weight, rose 15.7 percent during the 1979-1989 period; whereas, total U.S. newsprint consumption rose 20.9 percent. Some of the difference between these two growth rates undoubtedly is due to the growth of preprinted advertising inserts. Most of the preprint tonnage is not included in U.S. newspapers' consumption data, even though the inserts ultimately became a part of the daily newspapers.

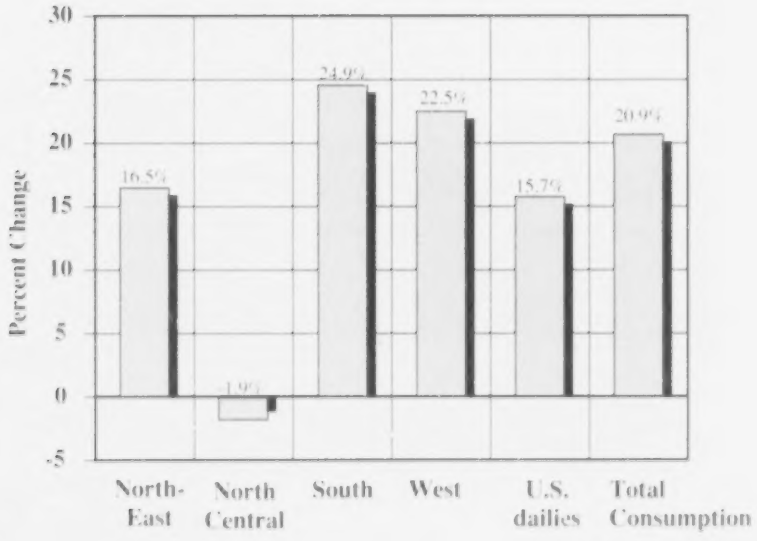
Excluding insert tonnage, daily newspapers accounted for 57.3 percent of the total growth of U.S. newsprint consumption during the 1979-1989 period. With insert tonnage, that proportion would be higher.

Table II

Changes in Newsprint Consumption of U.S. Daily Newspapers in Various Geographic Regions

1979-1989[3]

Region	1979 Consumption	1989 Consumption	Tons Change	Percent Change
Northeast	1,850,484	2,154,998	305,514	16.5
North Central	1,914,835	1,878,293	-36,542	-1.9
South	2,302,383	2,875,014	572,631	24.9
West	1,704,298	2,087,384	383,086	22.5
Total Consumption by U.S. Dailies	7,772,000	8,995,689	1,223,689	15.7
Total U.S. Consumption by All Users	10,207,301	12,343,000	2,135,699	20.9



[3] Tonnage is on a 30-pound basis weight. The newspaper consumption data do not include foreign language newspapers, college newspapers, special service dailies, The Christian Science Monitor, The Wall Street Journal, The Journal of Commerce and The Daily Racing Form. Consumption data are adjusted for temporary losses due to major strikes against newspapers in 1979. No strike loss occurred in 1989. Total consumption by U.S. dailies may not precisely equal regional or city-size data because of rounding.

Source: Daily newspapers reporting to ANPA.

Regional Consumption Growth

Table II also presents newsprint consumption data for daily newspapers in the four major regions of the United States. During the 1979-1989 period, newspapers in the South enjoyed the fastest rate of growth. Their newsprint consumption expanded 573,000 tons, an increase of 24.9 percent.

Newspapers in the West also expanded rapidly. Their newsprint usage increased 383,000 tons, a growth of 22.5 percent.

Consumption by Northeastern newspapers increased 16.5 percent with a tonnage increase of 306,000 tons. In the North Central region, newspaper use of newsprint decreased 37,000 tons or 1.9 percent during the last 10 years.

Consumption by City Size

Newsprint consumption by daily newspapers in cities of various sizes is presented in Table III.

During the 1979-1989 period, newspapers in towns and cities of fewer than 100,000 people grew 28 percent in newsprint consumption. Their 10-year consumption increase was 498,000 tons.

Newspapers located in cities of 100,000 to 250,000 population experienced growth of 7.6 percent. These newspapers consumed 102,000 tons more newsprint in 1989 than in 1979.

In cities of 250,000 to 500,000 people, newsprint usage expanded 189,000 tons or 12 percent during the 1979-1989 period.

The most rapid growth of daily newspapers was in cities of 500,000 to 1 million population — 31.9 percent. In these cities, consumption rose 392,000 tons during the past 10 years.

Newsprint consumption by daily newspapers in cities of 1 million or more grew 2.4 percent during the 1979-1989 period. Their consumption in 1989 was 44,000 tons greater than in 1979.

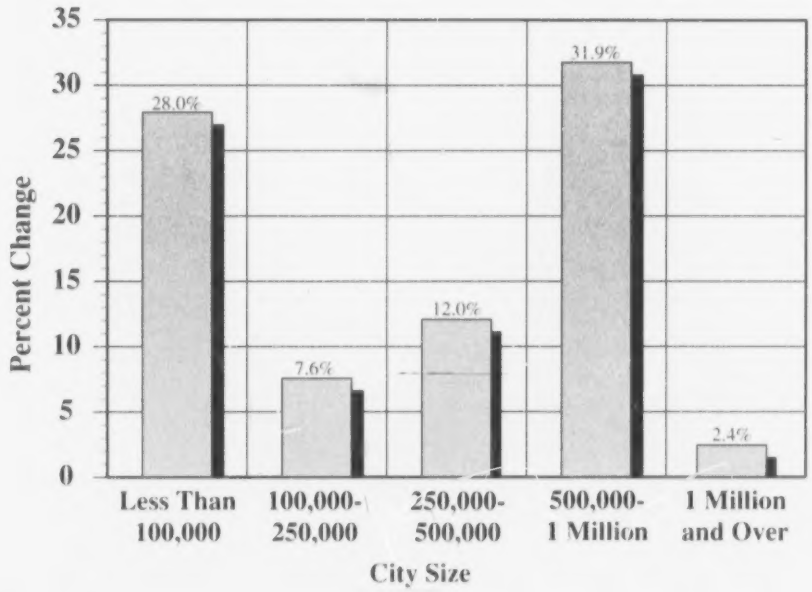
Among the five city-size classifications, newspapers in urban areas of fewer than 100,000 people were the largest aggregate consumers of newsprint in 1989. Newspapers in urban areas of more than 1 million had the second largest total consumption.

Table III

Changes in Newsprint Consumption of U.S. Daily Newspapers by Size of City

1979-1989[4]

City Size	1979 Consumption	1989 Consumption	Tons Change	Percent Change
Less than 100,000	1,776,323	2,273,850	497,527	28.0
100,000 to 250,000	1,341,873	1,443,576	101,703	7.6
250,000 to 500,000	1,571,132	1,759,996	188,864	12.0
500,000 to 1 million	1,229,061	1,620,774	391,713	31.9
1 million and over	1,853,611	1,897,493	43,882	2.4
All Daily Newspapers	7,772,000	8,995,689	1,223,689	15.7



[4] See footnote 3, page 8.
Source: Daily newspapers reporting to ANPA.

In this study, a change was made in deriving the newsprint consumption of various sized cities. Previously, all tonnage was allocated to the city in which the newspaper was printed. However, some newspapers are printed in small cities near a large city, but most of the circulation of the newspaper is in the large city. In these instances, the 1989 consumption of those newspapers was attributed to the large city. A similar change was made in calculating 1989 daily and Sunday circulation by size of city.

Regional Circulation

Newsprint usage by daily newspapers is primarily a function of advertising linage and circulation. The daily circulation of the U.S. newspapers included in this analysis was 60.5 million as of 1989—380,000 more than 10 years earlier.

Daily circulations in the four geographic regions of the United States are shown in Table IV. The highest rate of circulation growth occurred in the West, where daily circulation grew more than 1.2 million or 11.5 percent during the 1979-1989 period.

Daily circulation also expanded in the South where circulation rose about 1.1 million, a gain of 6.1 percent.

Daily circulation in the Northeast fell 589,000 or 3.9 percent during the 1979-1989 period. In the North Central region, circulation declined more than 1.3 million or 7.9 percent during the 10 years.

The Sunday circulation of U.S. newspapers expanded in all regions. In the West, Sunday circulation expanded 26.3 percent to more than 12 million in 1989. Southern newspapers enjoyed an 18.9 percent rise to more than 20 million circulation in 1989.

Sunday circulation as of 1989 exceeded 15 million in the North Central Region and more than 14 million in the Northeast. Circulation in the North Central Region was up 10.3 percent from that of 10 years earlier. Among newspapers in the Northeast, Sunday circulation rose 9.1 percent during the 1979-1989 period.

Table IV

Regional Changes in Circulation of U.S. Daily Newspapers

1979-1989[5]

Daily Circulation

Region	1979	1989	Change	Percent Change
Northeast	15,228,155	14,639,301	-588,854	-3.9
North Central	16,753,310	15,425,719	-1,327,591	-7.9
South	17,369,687	18,434,526	1,064,839	6.1
West	10,737,468	11,969,064	1,231,596	11.5
Total	60,088,620	60,468,610	379,990	0.6

Sunday Circulation

Region	1979	1989	Change	Percent Change
Northeast	13,224,427	14,434,314	1,209,887	9.1
North Central	13,868,236	15,293,203	1,424,967	10.3
South	17,018,294	20,238,613	3,220,319	18.9
West	9,803,512	12,377,723	2,574,211	26.3
Total	53,914,469	62,343,853	8,429,384	15.6

Circulation by City Size

As shown in Table V, the total daily circulation of newspapers in cities of 500,000 to 1 million population expanded 732,000 or 11 percent during the 10 years. Their 1989 circulation totaled 7.3 million.

The largest aggregate circulation was in cities of less than 100,000 people—25.2 million as of 1989. The newspapers of these cities experienced an 0.8 million or 3.3 percent growth of circulation between 1979 and 1989.

[5]See footnote 3, page 8 for newspapers not included in the analysis.
Source: Standard Rate & Data Service Inc.

The daily circulation of newspapers in cities of 100,000 to 250,000 population declined 492,000 or 4.8 percent. In cities of 250,000 to 500,000, daily circulation decreased 431,000 or 4.4 percent.

Daily circulation declined 238,000 or 2.6 percent among cities of 1 million or more population.

During the 1979-1989 period, Sunday circulation rose in all city-size classifications except those of over 1 million people. In towns and cities of less than 100,000, Sunday circulation grew 5.5 million or 37.7 percent. Sunday circulation expanded 1.4 million or 13.5 percent in cities of 100,000 to 250,000. In cities of 250,000 to 500,000 population, the growth was 929,000 or 8.8 percent. Total Sunday circulation increased 1.3 million or 17.1 percent in cities of 500,000 to 1 million population. The Sunday circulation of large metropolitan newspapers decreased 700,000 or 6.4 percent between 1979 and 1989. In total, Sunday circulation advanced 8.4 million during the 10 years—an increase of 15.6 percent.

Table V

Changes in Circulation of Daily Newspapers by City Size

1979-1989[6]

Daily Circulation

City Size	1979	1989	Change	Percent Change
Less than 100,000	24,404,057	25,213,782	809,725	3.3
100,000 to 250,000	10,226,966	9,734,624	-492,342	-4.8
250,000 to 500,000	9,806,010	9,375,037	-430,973	-4.4
500,000 to 1 million	6,641,791	7,373,484	731,693	11.0
1 million and over	9,009,796	8,771,683	-238,113	-2.6
All U.S. Dailies	60,088,620	60,468,610	379,990	0.6

Sunday Circulation

City Size	1979	1989	Change	Percent Change
Less than 100,000	14,698,198	20,235,948	5,537,750	37.7
100,000 to 250,000	10,248,429	11,630,410	1,381,981	13.5
250,000 to 500,000	10,595,945	11,524,777	928,832	8.8
500,000 to 1 million	7,484,927	8,766,001	1,281,074	17.1
1 million and over	10,886,970	10,186,717	-700,253	-6.4
All U.S. Dailies	53,914,469	62,343,853	8,429,384	15.6

[6] Ibid.
Source: Standard Rate & Data Service Inc.

Nineteen eighty-nine was the first year in which the Sunday circulation of these newspapers exceeded their daily circulation. The relatively large content and special features included in Sunday newspapers apparently are attracting additional circulation. In addition, the American consumer probably has more time to read a newspaper on Sunday. The advent of seven new Sunday newspapers during 1989 may also have contributed to total circulation.

The daily and Sunday circulations for 1989, shown in Tables IV and V, are based upon a tabulation by ANPA of data from the Audit Bureau of Circulations and other sources.

Sources of Supply 1979-1989

Sources of newsprint supply for daily newspapers in each region of the United States are shown in Table VI. These data also are adjusted to a 30-pound basis weight and for the temporary effect of strikes against newspapers.

While newsprint consumption by U.S. daily newspapers reporting to ANPA rose 15.7 percent during the 10 years, United States mills increased their tonnage supplied to these newspapers by 26.8 percent. The tonnage originating in Canada rose 7.2 percent. As a result, the U.S. producers' share of the newspaper market rose from 39 percent in 1979 to 42.7 percent in 1989. Canada's share of the market declined from 59.5 percent to 55.1 percent during the 10 years. Overseas supplies accounted for 1.5 percent of the U.S. newspaper market in 1979 and 2.2 percent in 1989.

Despite the 1979-1989 decline in Canada's share of the market, mills in East Canada increased their shipments to U.S. newspapers by 208,000 tons or 5.3 percent, while mills in West Canada experienced a 16.8 percent gain of tonnage during the 10-year period.

Southern U.S. newsprint mills expanded their shipments to U.S. daily newspapers by 681,000 tons or 40.9 percent during the 1979-1989 period. Also enjoying a significant increase—240,000 tons or 27.6 percent—were mills located in the West Region of the United States. Mills in the Northeast and North Central regions saw their shipments to newspapers decline during the 10-year period.

As of 1989, the major sources of supply to U.S. daily newspapers were East Canada (4.1 million tons), South U.S. (2.3 million tons), West U.S. (1.1 million tons) and West Canada (0.9 million tons). The tonnage supplied by all Canadian producers during 1989 was down 73,000 tons from that of a year earlier. That supplied by U.S. mills was up 149,000 tons from the prior year.

During both 1987 and 1988, the historic shift of supply toward U.S. newsprint producers did not prevail. Its apparent resumption in 1989 may have been the result of landfill problems and rising demands for recycled newsprint, which is predominantly a U.S. product at this time.

Table VI

Source of Newsprint Supply for U.S. Daily Newspapers

1979-1989[7]

Location of Suppliers	Tons Supplied 1979	Tons Supplied 1989	Tons Change	Percent Change	Share of Supply 1979	Share of Supply 1989
United States	3,028,353	3,840,500	812,147	26.8	39.0	42.7
Northeast	383,863	296,707	-87,156	-22.7	5.0	3.3
North Central	108,073	86,628	-21,445	-19.8	1.4	1.0
South	1,666,670	2,347,788	681,118	40.9	21.4	26.1
West	869,747	1,109,377	239,630	27.6	11.2	12.3
Canada	4,622,369	4,953,327	330,958	7.2	59.5	55.1
East	3,888,292	4,096,018	207,726	5.3	50.0	45.5
West	73,477	857,309	123,232	16.8	9.4	9.6
Overseas	121,278	201,862	80,584	66.4	1.5	2.2
Total Supply to U.S.	7,772,000	8,995,689	1,223,689	15.7	100.0	100.0

Regional Sources of Supply

The sources of supply for daily newspapers in each region of the United States are shown in Table VII. During 1989, newspapers in the Northeast received more than 80 percent of their newsprint from East Canada, with most of the remaining supply (over 12 percent) coming from Northeast U.S. mills. Southern mills supplied 6 percent of Northeast newspapers' requirements.

North Central daily newspapers received almost 83 percent of their newsprint from Canadian mills during 1989, with most of that supply coming from East Canada. Southern mills supplied 12 percent of North Central newspapers' requirements. Four percent of North Central newspapers' supply originated within the North Central region.

[7] See footnote 3, page 8.
Source: Daily newspapers reporting to ANPA.

Southern newspapers received more than 66 percent of their newsprint from South U.S. mills in 1989. Canadian mills, primarily producers in East Canada, supplied 28 percent of the southern newspapers' requirements. Overseas producers provided 4 percent of southern newspapers' supply.

As of 1989, West U.S. newspapers received almost 52 percent of their supply from West U.S. mills. More than 41 percent of their supply came from Canadian mills, with West Canadian mills supplying 37.5 percent of the West's total requirements. Southern U.S. mills provided about 4 percent of western newspapers' supply, with the remaining 3 percent coming from offshore producers.

Table VII

Regional Sources of Newsprint for U.S. Daily Newspapers 1979-1989[8]

Location of Suppliers	Tons Supplied 1979	Tons Supplied 1989	Tons Change	Percent Change	Share of Supply 1979	Share of Supply 1989
Northeastern Newspapers						
United States	352,765	410,585	57,820	16.4	19.1	19.1
Northeast	340,327	267,551	-72,776	-21.4	18.4	12.4
North Central	3,866	10,901	7,035	182.0	0.2	0.5
South	8,572	131,855	123,283	1,438.2	0.5	6.2
West	nil	278	278	inf	nil	nil
Canada	1,491,823	1,735,584	243,761	16.3	80.6	80.5
East	1,479,643	1,732,417	252,774	17.1	80.0	80.4
West	12,180	3,167	-9,013	-74.0	0.7	0.1
Overseas	5,896	8,831	2,935	49.8	0.3	0.4
Total Supply to Northeast	1,850,484	2,155,000	304,516	16.5	100.0	100.0
North Central Newspapers						
United States	291,947	316,088	24,141	8.3	15.2	16.9
Northeast	2,784	6,968	4,184	150.3	0.1	0.4
North Central	91,660	75,453	-16,207	-17.7	4.8	4.0
South	183,001	230,139	47,138	25.8	9.6	12.3
West	14,501	3,528	-10,973	-75.7	0.8	0.2
Canada	1,618,504	1,552,801	-65,703	-4.1	84.5	82.7
East	1,538,939	1,504,069	-34,870	-2.3	80.4	80.1
West	79,565	48,732	-30,833	-38.8	4.2	2.6
Overseas	4,384	9,403	5,019	114.5	0.3	0.4
Total Supply to North Central	1,914,835	1,878,292	-36,543	-1.9	100.0	100.0
Southern Newspapers						
United States	1,533,640	1,950,855	417,215	27.2	66.6	67.9
Northeast	40,714	22,186	-18,528	-45.5	1.8	0.8
North Central	12,481	274	-12,207	-97.8	0.5	nil
South	1,463,222	1,904,465	441,243	30.2	63.6	66.3
West	17,223	23,930	6,707	38.9	0.7	0.8
Canada	747,775	807,276	59,501	8.0	32.5	28.1
East	747,527	785,012	37,485	5.0	32.5	27.3
West	249	22,264	22,015	8,841.4	nil	0.8
Overseas	20,968	116,882	95,914	457.4	.09	4.0
Total Supply to South	2,302,383	2,875,013	572,630	24.9	100.0	100.0
Western Newspapers						
United States	850,001	1,162,972	312,970	36.8	29.9	55.7
Northeast	38	2	-36	-94.7	nil	nil
North Central	65	---	-65	inf	nil	nil
South	11,875	81,329	69,454	584.9	0.7	3.9
West	838,023	1,081,641	243,618	29.1	49.2	51.8
Canada	764,267	857,666	93,399	12.2	44.8	41.1
East	122,183	74,520	-47,663	-39.0	7.2	3.6
West	642,084	783,146	141,063	22.0	37.7	37.5
Overseas	90,030	66,746	-23,284	-25.9	5.3	3.2
Total Supply to West	1,704,298	2,087,384	383,086	22.5	100.0	100.0

[8]Ibid.
Source: Daily newspapers reporting to ANPA.

PART III

The Future Outlook

Most economists, who only a few months ago were predicting continued growth, now believe the United States is in a recession. Most also believe that the recession will be relatively mild and short. Among their reasons are the relatively low level of business inventories, the strong foreign demand for U.S. exports and prospects for an easing of U.S. monetary policy.

However, the primary cause of the current economic problem is not excess inventories, declining foreign demand or a tight monetary policy. Instead, it is the heavy debt burden of the nation and an over reliance on foreign credit.

The federal, state and local government debt is huge and growing rapidly. For example, as of 1980 the total debt of the nation's governments stood at $1.25 trillion; today, total government debt is over $4 trillion.

The private sector also is financially overextended. Consumer installment credit is at a record high which is 2.5 times that of 1980. Industrial debt, which usually is paid down during periods of economic prosperity, instead has risen rapidly since 1983. According to Moody's Investor Service, nonfinancial corporate debt was close to 34 percent of total capital during the years 1980 through 1983. By the end of 1989, the debt proportion had risen to approximately 47 percent.

The above average is somewhat misleading. Many U.S. corporations have little or no long-term debt and are highly liquid. However, many others are very heavily capitalized by debt. An economic recession would reduce their cash flow and create an inability to service their debts. The resulting defaults and bankruptcies would hurt others, especially suppliers, bondholders and financial institutions. Many U.S. financial institutions cannot afford a surge of defaults, as they also are undercapitalized in terms of equity capital.

A related problem is the United States' heavy reliance on foreign credit, especially from Japan and Western Europe. With the falling international value of the U.S. dollar and a weakening economy, the nation already is experiencing a loss of foreign capital and credit. For example, during the first six months of 1990, net foreign investment in U.S. bonds declined 48 percent from that of a year earlier. In addition, the available supply of foreign capital is shrinking. The wealth of the Japanese has declined with the fall of their stock and real estate markets. In Western Germany, increased capital is being invested at home because of the unification with Eastern Germany.

A loss of foreign credit would have adverse consequences for the U.S. economy. When the supply of capital is inadequate, there is substantial upward pressure on interest rates. High interest rates are damaging to debtors, discourage new investment and slow the economy.

Because of the nation's financial problems, the outlook for 1991 is not promising. One possible "ray of sunshine" is increased foreign exports stimulated by the declining value of the U.S. dollar. Unfortunately,

there is increasing evidence that the world's economy is falling into a recession. Canada is in recession and Great Britain, Spain and several other nations appear to be entering one. Japan's economy is slowing. A worldwide recession is likely and it would reduce U.S. foreign exports.

A second possible positive is the fact that many U.S. households enjoy a fairly high degree of economic security because of social insurance programs and multiple income earners. These factors help to limit the decline of consumer expenditures and the severity of a recession. However, they are far from sufficient to prevent a recession.

The Economy in 1991

Predicting the economy of 1991 with a high degree of confidence is not possible. Many forecasters have revised their earlier predictions from a modest annual gain to a small loss.[1] Unfortunately, the recession may be far more severe than most forecasters are predicting.

The gross national product of 1990 is not known at this time. The economy did advance at an anemic rate during the first three quarters, bringing it 1.1 percent ahead of the year's earlier pace. However, some of that gain undoubtedly was lost in the final quarter, yielding a real GNP for 1990 that is only slightly higher than the $4.12 trillion of 1989. A real GNP of around $4.15 trillion is likely for 1990.

If the recession is severe, the real GNP of 1991 is likely to be less than that of both 1989 and 1990. For example, a 2.5 percent decline (similar to that of 1982) would result in a real gross national product of around $4.0 trillion in 1991.

Unfortunately, the decline could be greater than 2.5 percent. Even a slightly larger decline, such as 2.6 percent, would constitute the largest U.S. year-to-year economic decline since the 1930s except for that associated with the end of World War II. Given the financial problems confronting the United States today, a recession of substantial severity is possible, if not probable.

International political events could have a profound influence on the future course of the economy. For example, a successful resolution of the Middle East problem would help to diminish petroleum prices and stimulate renewed confidence in the economy. However, even with these possible favorable events, the economic outlook for 1991 is not promising. On the other hand, war in the Middle East could postpone a U.S. recession. However, a postponed recession probably would be even more severe when it does occur.

[1] Data Resources Inc., as of September 1990, forecast 1.2 percent real economic growth in 1991. As of November, the forecast was reduced to a small loss of 0.2 percent.

Newsprint in 1991

The economy has a profound influence on U.S. newsprint consumption. If 1991 is a year of recession, consumption will be down.

Usually, the decline of newsprint usage during a recession is similar to that of the overall economy. However, in 1975, the real GNP fell only 1.25 percent while newsprint consumption declined 9.2 percent. A significant share of that decline (approximately 60 percent) was the result of newsprint conservation measures.[10] Because many of those conservation practices remain in place today (e.g., reduction of web, improved waste control, changes in format, control of press overruns, reduction of free distribution and unprofitable circulation, greater use of splicing and rewinding), a conservation savings of great magnitude is not now likely. For example, newsprint consumption declined less than 1 percent during the 1981-1982 recession—one which was of greater severity than that of the mid-seventies, as indicated in Table VIII.

Newspaper management could substantially reduce editorial content (i.e., the newshole). However, that would lower the quality of their product and adversely affect both circulation and advertising linage. In addition, it would jeopardize the long-run future of their newspapers.

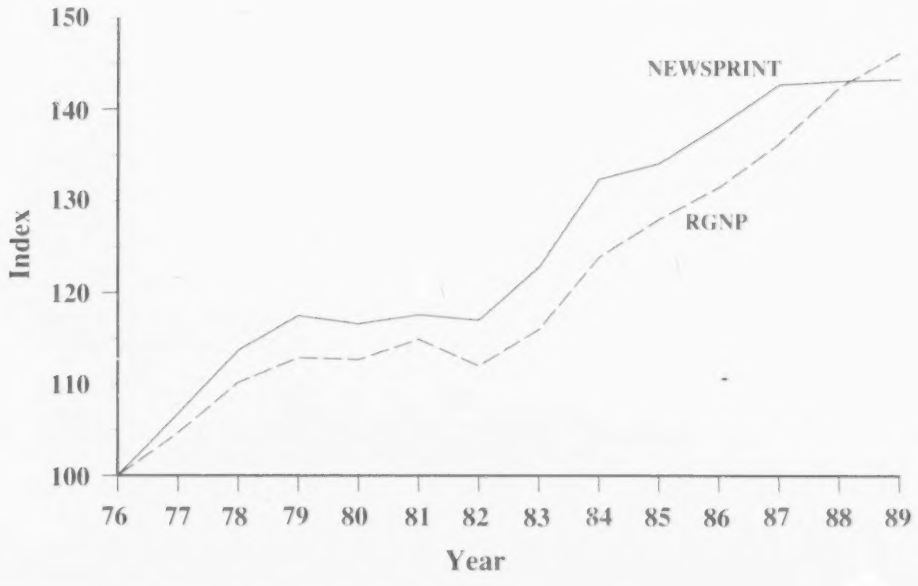
Assuming a real GNP of around $4.0 trillion in 1991, U.S. newsprint consumption is expected to decline, but probably not more rapidly than the economy because many newspapers already are in a recession and have reduced their consumption. Consequently, U.S. newsprint consumption (not adjusted to a 30 lb. uniform basis weight) should be around 11.8 million tons in 1991. On a 30-pound basis, it will be approximately 100,000 tons greater. These forecasts for 1991 assume a 2.5 percent decline in the real gross national product. With a lesser recession, newsprint consumption would be larger. However, a more severe than predicted recession could reduce reported consumption in 1991 to less than 11.8 million tons.

[10] Jon G. Udell, *Dynamics of U.S. Daily Newspapers and Newsprint Consumption*, American Newspaper Publishers Association, Washington, D.C., Jan. 21, 1976, p. 17.

Table VIII

U.S. Newsprint Consumption and Real Economic Growth, 1976-1989

Year	Newsprint Consumption[11]	Real GNP[12]	Newsprint Index	RGNP Index
1976	8,688	2,826.7	100.0	100.0
1977	9,280	2,958.6	106.8	104.7
1978	9,882	3,115.2	113.7	110.2
1979	10,205	3,192.4	117.5	112.9
1980	10,133	3,187.1	116.6	112.7
1981	10,219	3,248.8	117.6	114.9
1982	10,157	3,166.0	116.9	112.0
1983	10,604	3,279.1	122.1	116.0
1984	11,419	3,501.4	131.4	123.9
1985	11,571	3,618.7	133.2	128.0
1986	11,943	3,717.9	137.5	131.5
1987	12,375	3,845.3	142.4	136.0
1988	12,338	4,016.9	142.0	142.1
1989	12,343	4,117.7	142.1	145.7



[11]Thousands of metric tons, 30-pound basis weight. Source: American Newspaper Publishers Association.

[12] Billions of 1982 dollars.

Source: Department of Commerce, Bureau of Economic Analysis.

PART IV

Evaluation of ANPA Projections

In 1982, when U.S. newsprint consumption totaled less than 10.2 million tons, 30-pound basis weight, ANPA's projection for 1990 was 12.2 million tons.[13] It is evident that the projection was highly accurate. In 1990, U.S. newsprint consumption, 30-pound basis weight, should be very close to the projected 12.2 million tons—probably 12.25 million tons.

In 1986, ANPA issued a 1995 trend projection of U.S. newsprint consumption, totaling 14.5 million tons, 30-pound basis weight.[14] One would expect the projection to be too high given the industry's reclassification (i.e., removal) of some tonnage from the newsprint total. More specially, for the base year of projection (1985), U.S. newsprint consumption, 30-pound basis weight, was reduced by approximately 80,000 tons. This would lead to a 100,000-ton reduction of the projection for 1995.

When the 1995 projection is adjusted to recognize the loss of tonnage from reclassification, the adjusted projection becomes 14.4 million tons as of 1995.

The projection assumed at least 2.5 percent annual average real economic growth between 1985 and 1995. Through 1990, the lower limit of that assumption has been realized, but not with any margin to spare because of the slowing of U.S. economic growth in recent years. A severe recession in the years ahead could cause the economic growth rate between 1990 and 1995 to fall below 2.5 percent. As a result, consumption would not reach 14.4 million tons by 1995.

Still other possible reasons for a slow future growth of newsprint consumption are the changing composition of U.S. economic growth, which includes a substantial reduction in the real growth of U.S. consumer expenditures, and severe difficulties in a number of industries important to newspaper advertising (e.g., the retail, housing and finance industries).

These developments are structural economic changes that could cause the regression models of newsprint consumption to be in error. For example, with 2.5 percent average annual economic growth during the next five years, updated regression models project a newsprint consumption of around 14.4 million in 1995. However, your author finds it highly doubtful that consumption will expand 2.1 million tons during the next five years with economic growth of that magnitude. However, if the next five years were to be relatively normal, with one mild recession and economic growth averaging upwards of 3 percent annually, U.S. newsprint consumption, 30-pound basis weight, could approach the projected 14.4 million tons.

Unfortunately, the probability of a severe recession or depression within the next few years is uncomfortably high. A severe recession combined with the slow expansion of the economy since 1985, would

[13] Jon G. Udell, *The Outlook for U.S. Newspaper and Newsprint Consumption 1983-1990*, American Newspaper Publishers Association, Washington, D.C., May 1983, p. 30.
[14] Jon G. Udell, *U.S. Newspaper Growth and Newsprint Consumption*, American Newspaper Publishers Association, Washington, D.C., December 1986, p. 28.

make realization of the 1995 projection's economic growth assumption impossible. This, plus the above-mentioned structural changes, would mean little growth of U.S. newsprint consumption between now and 1995.

Conclusion

If the next five years are normal (in terms of economic growth), U.S. newsprint consumption should approach the originally projected tonnage. This would include a resurgence of consumer expenditures and the housing market, a recovery of retail and finance industries, and substantial expansion of help-wanted advertising. However, if a fairly severe recession materializes and annual economic growth averages only 2 percent, the projected trend value of U.S. newsprint consumption in 1995 becomes 13.5 million tons, 30-pound basis weight. With still lesser economic growth, such as that associated with a depression, consumption in 1995 could be 13 million tons or less.

Currently, it appears prudent to accept the middle economic growth assumption of a fairly severe recession and an average annual expansion rate of 2 percent between 1989 and 1995. With this assumption, the U.S. newsprint projection for 1995 is 13.5 million tons, 30-pound basis weight.

United States by Regions

Northeast

Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Rhode Island
Vermont

North Central

Illinois
Indiana
Iowa
Kansas
Michigan
Minnesota
Missouri
Nebraska
North Dakota
Ohio
South Dakota
Wisconsin

South

Alabama
Arkansas
Delaware
District of Columbia
Florida
Georgia
Kentucky
Louisiana
Maryland
Mississippi
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Virginia
West Virginia

West

Alaska
Arizona
California
Colorado
Hawaii
Idaho
Montana
Nevada
New Mexico
Oregon
Utah
Washington
Wyoming

Canadian Provinces

East Canada

New Brunswick
Newfoundland
Nova Scotia
Ontario
Prince Edward Island
Quebec

West Canada

Alberta
British Columbia
Manitoba
Saskatchewan

NOTES

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